



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF FINANCIAL AND INSURANCE REGULATION
DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH
STANLEY "SKIP" PRUSS, DIRECTOR

KEN ROSS
COMMISSIONER

BILL ANALYSIS

BILL NUMBER: HB 5630, as introduced

TOPIC: 60-Day Notice of Rate Increase of Auto Insurance

SPONSOR: Rep. Coleman Young

CO-SPONSORS: Reps. Lesia Liss, Harold Haugh, Vincent Gregory, Andrew Kandrevas, Kate Segal, Jon Switalski, Bob Constan, Mike Huckleberry, Dian Slavens, Douglas Geiss, Rashida Tlaib, Robert Jones, Fred Durhal, George Cushingberry, Jimmy Womack, David Nathan, LaMar Lemmons, Lisa Brown, Sarah Roberts, Lee Gonzales, Ellen Cogen Lipton

COMMITTEE: House Committee on Insurance

Analysis Done: December 2, 2009

POSITION

The Office of Financial and Insurance Regulation (OFIR) supports this legislation.

PROBLEM/BACKGROUND

Insurance companies are required to send out twenty (20) day notices to their policyholders when their auto insurance policies renew. It is at this point the policyholder first sees the premium to be charged for the renewal of their policy. If the premium has increased, the policyholder has little time to shop around and contact other insurance companies for premium quotes.

DESCRIPTION OF BILL

The proposed legislation would require all auto insurance companies to provide written notice to policyholders of any proposed rate increase it files with the Office of Financial and Insurance Regulation (OFIR). The notice must be provided no less than sixty (60) days before the proposed effective date of the new rates. The Commissioner would also be required to post all rate filing information on the internet in plain language and a policyholder could request the Commissioner hold a hearing on a rate increase before it goes into effect. The proposed legislation is tie-barred with House Bill 5627, House Bill 5628 and House Bill 5629.

SUMMARY OF ARGUMENTS

Pro

A sixty-day notification to the policyholder of any proposed auto insurance rate increase filing would be beneficial to most consumers. The twenty-day renewal notice, now required, may not give a policyholder enough time to obtain quotes from other insurance companies before they must pay the renewal premium or be cancelled. Additional time to shop for a less expensive policy would be beneficial to the consumer and would make the auto insurance market more competitive, since insurance companies could not rely on repeat business to the extent they do now.

The proposed legislation would require rate filings be posted on OFIR's website in plain language. In addition, policyholders will now have the opportunity to request a hearing on a rate increase before it goes into effect, possibly preventing their premium from being increased. These measures will provide consumers with more useful tools to understand their insurance premium and to contest increases, if warranted.

Con

The proposed legislation will require companies to send out an additional notice any time it makes a filing with OFIR for a rate increase, costing them processing time and money.

FISCAL/ECONOMIC IMPACT

OFIR has identified the following revenue or budgetary implications in this bill:

(a) To the Office of Financial and Insurance Regulation:

Budgetary: OFIR will incur additional expense to conduct rate challenge hearings and to post rate filing information on the internet in plain language. Additional expenses may also be incurred to ensure that insurance companies and consumers are aware of the amendments and to monitor the industry for compliance.

Revenue:

Comments:

(b) To the Department of Energy, Labor & Economic Growth: None known.

Budgetary:

Revenue:

Comments:

(c) To the State of Michigan: None known.

Budgetary:

Revenue:

Comments:

(d) To Local Governments within this State: None known.

Comments:

OTHER STATE DEPARTMENTS

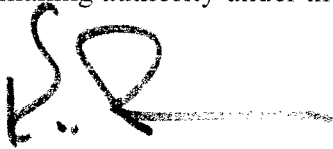
None known.

ANY OTHER PERTINENT INFORMATION

This proposed legislation is similar to legislation that was introduced in a previous legislative session.

ADMINISTRATIVE RULES IMPACT

The proposed legislation would amend the Michigan Insurance Code. OFIR has general rulemaking authority under the Insurance Code, 1956 PA 218.



Ken Ross
Commissioner

12.2.09

Date

